

Testimony of W. Brian Matsuyama
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On Behalf of the Local Distribution Companies of Washington State

Before the U.S. Senate Committee on Commerce, Science, and Transportation

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introduction

Good afternoon Mr. Chairman and members of the Committee. My name is Brian Matsuyama. I am Chair, President and CEO of Cascade Natural Gas Corporation. My company is one of four local distribution companies (LDCs) serving the State of Washington. I am pleased to have this opportunity to comment on the essential matter of public safety and our pipeline system on behalf of these companies.

The Pacific Northwest Natural Gas Industry

The natural gas industry, interstate and local distribution companies, provides a significant portion of the energy that drives the Pacific Northwest economy. In 1999, the natural gas industry delivered approximately 40 percent of the total energy used by 1.8 million residential, commercial, industrial and electric generation customers in the states of Idaho, Oregon and Washington. We operate 7,000 miles of pipeline within the state and employ nearly 10,000 of the state's citizens.

There are two interstate natural gas pipeline companies serving the state: PG&E Gas Transmission -- Northwest and Williams Gas Pipeline -- West. There are four local distribution companies in Washington State regulated by the Washington Utilities and Transportation Commission: Cascade Natural Gas Corporation, NW Natural, Puget Sound Energy and Avista Corporation.

The Natural Gas Industry and the Bellingham Tragedy

Let me begin by saying that my company, Cascade Natural Gas, serves the Bellingham area. This makes the tragedy that occurred in that community very personal. The people of the region's natural gas industry feel deeply for the families who lost their children in the Bellingham explosion on June 10, 1999. As neighbors, friends and fellow citizens, we share their grief and the trauma suffered by the entire community. We pledge our support to find and implement responsible steps that minimize the possibility that such an event could occur on the natural gas system.

Although the Bellingham incident did not occur on the natural gas system, we deemed it essential to take part in the assessment that followed. Governor Locke's formation of the Fuel Accident Prevention Response Team provided a forum to evaluate all areas of pipeline safety. Both interstate pipelines and local distribution companies followed and actively participated in the public process. We have remained involved by offering support, technical advice and comment regarding pipeline safety laws being prepared in the Washington State legislature.

Natural Gas Industry Commitment to Safety

The natural gas industry understands that its systems are not immune to problems. We also know that the public, our customers, depends on us to ensure their safety. The rapid growth of our customer base reflects the important role natural gas plays in providing affordable, environmentally clean and safe fuel. We are doing everything possible to sustain this confidence.

A recent AGA survey revealed that almost 55 percent of all American households used natural gas. In 1998, 69 percent of all new single-family homes were connected to natural gas. During that same time period, 64,000 homeowners switched to natural gas from oil, electricity or propane. In the Pacific Northwest, more than 90 percent of all new homes are connecting to natural gas when it is available. In order to retain the public confidence that underlies this growth, we recognize that the safety of our operations is critical.

Consequently, our industry has a tremendous incentive to maintain an enviable safety record. Safety is a matter of corporate policy and a top priority for every company. These policies are carried out in specific and characteristic ways: Each company employs safety professionals, provides on-going employee safety training, conducts rigorous system oversight and maintenance, distributes public safety information, and complies with a wide range of safety regulations and requirements.

Individual company efforts are supplemented by collaborative activities in the safety committees of regional and national trade organizations. Examples of these groups include the Pacific Coast Gas Association, American Gas Association, Interstate Natural Gas Association of America and the American Public Gas Association. Other safety-focused activities exist within industry-government groups. A current example is the Government-Industry Consensus Team (GICT); a specialized group formed to develop and maintain a voluntary data collection process that supports the analysis of plastic pipe characteristics. The GICT is composed of representatives from the American Gas Association, American Public Gas Association, the U.S. Department of Transportation's Research and Special Programs Administration (RSPA), the National Association of Regulatory Utility Commissioners, and the Plastic Pipe Institute.

Company safety professionals also participate in a variety of professional organizations dedicated to advancing the practice of work place and public safety. A partial list of the leading groups include the following: National Association of Corrosion Engineers (NACE), National Fire Protection Association (NFPA), National Safety Council (NSC), American Petroleum Institute (API), American Welding Society (AWS), American Society of Mechanical Engineers (ASME), American Conference of Governmental Industrial Hygienists, Transportation Safety Institute (TSI), American Society of Civil Engineers (ASCE), and the American Society of Safety Engineers (ASSE).

Companies also contribute to research and development through such organizations as the Gas Research Institute and Institute of Gas Technology where advanced safety devices and technologies are designed and tested. It is estimated that in 1999, the region's interstate pipeline and local distribution companies invested approximately \$19.7 million in non-construction safety-specific activities. These voluntary expenditures reflect the high level of corporate commitment to public and employee safety.

AN LDC VIEW OF CHANGES IN WASHINGTON STATE PIPELINE SAFETY

Arguments are being made for state jurisdiction over safety regulation of interstate hazardous liquid and natural gas pipelines. The State of Washington, through the Washington Utilities and Transportation Commission, already has regulatory authority over LDC's intrastate operations, including safety matters. Our safety record attests to the conscientious, thorough approach taken by the Commission and its staff. Therefore, we do not question the ability of that agency, given appropriate resources, to oversee safety matters relating to the interstate pipelines, and we take no position regarding safety jurisdiction over hazardous liquid pipelines. However, we are aware of practical, substantive issues raised by the interstate natural gas pipelines regarding the imposition of a patchwork of state-by-state regulations. As customers of the interstate pipelines, and dependent upon them to provide safe, reliable, economic transportation of gas into our state, we urge the Committee to give due consideration to the concerns they raise.

We also urge the Committee to avoid legislatively imposing specific prescriptive requirements intended to be uniformly applied across both liquid and natural gas pipeline systems whose construction and operating characteristics are materially different. All of Washington's LDC's are deeply committed to safety, and we are not suggesting that valid operating requirements be compromised. However, we believe that regulatory processes, whether federal or state, are better equipped to craft requirements that fits the particular operation being regulated than are legislative processes. Failure to adequately address industry differences could produce unintended consequences, not the least of which would be to reduce rather than enhance the level of public safety.

We are especially concerned about requirements that might impair the reliability of natural gas transportation service from the interstate pipelines. Unlike liquids lines, uninterrupted flow is critical in natural gas lines. If interstate flows are interrupted, the ability of LDC's to maintain adequate pipeline pressures to serve end use customers is immediately impaired. In such situations we must manually turn off service to individual customers, one by one. When flows resume, we must then restore service and re-light each gas appliance in every affected home and business. The process is a long and tedious one, and is obviously not without its own risks. A poorly conceived requirement designed to improve pipeline safety, could result in such a loss of service to thousands of Washington customers, creating more downstream risks than are warranted by upstream benefits.

We support the public's right to know and understand how and where the natural gas system operates. An informed public will be better able to contribute to accomplishing the objectives of improved public safety. In many instances, improving public information will be a cooperative effort by the natural gas industry and communities served. Whether such efforts extend or improve existing programs or are new initiatives, local distribution companies will participate in their development and implementation.

At the present time, states have jurisdiction over the single greatest opportunity to improve safety on interstate and intrastate systems – the one-call system. We encourage and support the strongest possible one-call system for the State of Washington, including regulations for effective enforcement and graduated penalties for non-compliance. While the cause of the Bellingham incident is still under investigation by the Department of Transportation, it appears that excavator damage may have contributed to the explosion. The Office of Pipeline Safety has sponsored an

initiative called “Common Ground.” Their June 1999 report describes one-call “best practices” found in programs across the country. We encourage the State of Washington to review these recommendations when attempting to strengthen the one-call operation.

Local distribution companies will continue to support advanced preparation and training for fire, police and emergency service personnel who are often first to arrive at a hazardous site. It is critical for them to know and understand the nature of a natural gas incident and how best to manage it.

SUMMARY & CONCLUSION

The natural gas industry is an important component of the Northwest economy. The fuel the industry provides increases energy diversity, helps the environment, and is less expensive than most other energy options. It is also demonstrably safe. Nevertheless, the tragedy in Bellingham is a dramatic reminder that safety is the result of constant vigilance and a continuing effort to improve.

The natural gas industry is proud of its safety record. Natural gas has become the recognized fuel of choice throughout the Northwest. This customer growth and confidence also bears with it an added responsibility. As such, public and employee safety is the top priority for every natural gas company.

The natural gas industry believes that specific steps can and should be taken to improve public safety. However, these actions should be made only after careful study and with a clear understanding of all likely outcomes. Some recommendations of the Washington Governor’s Fuel Accident Prevention and Response Team have significant potential -- improved public information, an enhanced state one-call system, and training for emergency response personnel.

Thank you for providing the opportunity to present our views on the important matter of pipeline safety. We look forward to working with federal, state and local authorities, as well as within our industry, to achieve the highest possible level of public and employee safety.